

Message Text

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12

ORIGIN PM-07

INFO OCT-01 ARA-16 ISO-00 DODE-00 OMB-01 TRSE-00 AID-20

IGA-02 CIAE-00 INR-10 NSAE-00 RSC-01 /058 R

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PM/SAS - MR. JAMES

DOD/DSAA - MR. VIOLETTE/MR. BILLING

OSD/ISA - MR. QUANT (INFO)

ARA/EP - MR. FRECHETTE

ARA/PLC - COL. WILLIAMS

PM/SAS - MR. GREY

OMB - MR. BALTAY (INFO)

----- 117262

R 160022Z MAR 74

FM SECSTATE WASHDC

TO AMEMBASSY LIMA

INFO USCINCSO

C O N F I D E N T I A L STATE 053025

E.O. 11652: GDS

TAGS: PFOR, MASS, PE, US

SUBJECT: FMS CREDIT: PERU

REFS: (A) LIMA 1400, 211710Z FEB 74; (B) CHMAAG 271430Z

FEB 74; (C) CHMAAG PERU 281430Z FEB 74; (D) SECDEF 092335Z

NOV 73; (E) STATE 239038, 061944Z DEC 73.

1. REGARDING A-37B ACQUISITION (PARA 1, REF A) WE WISH TO
MAKE IT CLEAR THAT IN NOT OFFERING FY 74 FMS CREDIT TO PERU,
THAT COUNTRY HAS NOT BEEN SINGLED OUT FOR EXCLUSION. WORLD-
WIDE ALLOCATIONS OF DIRECT CREDIT ARE SEVERELY HAMPERED
BECAUSE CONGRESS ONLY APPROPRIATED 325 MILLION DOLS OF NEW
OBLIGATIONAL AUTHORITY (NOA) TO FUND A 730 MILLION DOLS
PROGRAM INCLUDING A 300 MILLION DOLS FMS CREDIT PROGRAM FOR
ISRAEL. (THE ADMINISTRATION HAD REQUESTED 525 MILLION DOLS
OF NOA FOR A 760 MILLION DOLS PROGRAM). THESE APPROPRIA-
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TIONS HAVE REQUIRED A SIGNIFICANT INCREASE IN GUARANTEED

CREDIT OVER DIRECT CREDIT AND RESTUDY OF WORLDWIDE ALLOCATIONS; THEREFORE TO DATE WE HAVE APPROVED NO FY 74 CREDITS OTHER THAN THOSE FOR WHICH USG HAS PRIOR CONTRACTUAL COMMITMENT.

2. PRESENT STATUS OF A-37B PURCHASE FOLLOWS:

A. PURCHASE OF TWENTY-FOUR A-37B AIRCRAFT ENTAILS PAYMENTS TO THE MANUFACTURER OVER A PERIOD OF THREE FISCAL

YEARS. THIS PAYMENT SCHEDULE IS:

FY 74 DOLS 2.6 MILLION (OF WHICH 9000,000 DOLS HAS BEEN PAID BY PERU IN CASH)

FY 75 DOLS 13.6 MILLION

FY 76 DOLS 1.7 MILLION

B. FMS FINANCING OF THIS PURCHASE WOULD INVOLVE A COMMITMENT OF USG FUNDS FOR MORE THAN ONE FISCAL YEAR. SUCH MULTI-YEAR COMMITMENTS MUST BE APPROVED BY THE DIRECTOR OF OMB, AND A CIRCULAR 175 NEGOTIATING AUTHORITY WILL BE REQUIRED PRIOR TO ENTERING INTO GOVERNMENT-TO-GOVERNMENT NEGOTIATIONS WITH THE GOP TO REACH AGREEMENT FOR THE FMS FINANCING OF THE SALE. SUCH AGREEMENT IS IN THE FORM OF A MEMORANDUM OF UNDERSTANDING WHICH MUST BE SUBMITTED TO CONGRESS AFTER SIGNATURE.

C. FYI. YOUR REASONING REGARDING THE A-37B ACQUISITION IS PERSUASIVE AND WE ARE THEREFORE SEEKING THE NECESSARY AUTHORITIES FOR FMS CREDIT FUNDING OF THIS ACQUISITION. IT WILL TAKE SOME WEEKS TO COMPLETE THE NECESSARY PAPER WORK. END FYI.

3. THE F-5E CREDIT SITUATION IS PRESENTLY UNDER REVIEW AND WILL BE THE SUBJECT OF A SEPARATE MESSAGE.

4. IN THESE CIRCUMSTANCES WE BELIEVE YOU SHOULD INFORM THE GOP THAT:
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A. WE HAVE SUBMITTED THE A-37B CREDIT REQUESTS FOR THE NECESSARY HIGH LEVEL APPROVALS AND HOPE TO HAVE A RESPONSE BY AN EARLY DATE.

B. WE HAVE THE F-5E QUESTION UNDER ACTIVE CONSIDERATION. FYI: PERUVIAN AIR ATTACHE INFORMED US INFORMALLY ON MARCH 10 THAT LIMA HAS INSTRUCTED HIM TO PREPARE A DIPLOMATIC

NOTE TO THE DEPARTMENT STATING THAT PERU NO LONGER INTERESTED IN PURCHASING F-5 AIRCRAFT BECAUSE OF HIGH ACQUISITION COST AND LACK OF CREDIT. AS OF MARCH 14 NOTE NOT RPT NOT DELIVERED. AS EMBASSY AWARE, GOP HAS USED THIS TACTIC IN THE PAST TO PRESSURE USG TO RESPOND FAVORABLY TO ITS REQUESTS. END FYI.

5. FYI: REVIEW OF BOTH AIRCRAFT REQUESTS COULD BE AFFECTED IF CONFIRMATION OF REPORTED MIG-21 PURCHASE MATERIALIZES (DAO LIMA 081626Z MAR 74). END FYI. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MILITARY EQUIPMENT, MILITARY AIRCRAFT, MILITARY PROCUREMENT, MILITARY SALES, MILITARY CREDIT
Control Number: n/a
Copy: SINGLE
Draft Date: 16 MAR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: CORE
Document Unique ID: 00
Drafter: JLCLUNAN:ARA:HSCLAUDEMAN/RS
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
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ISecure: 1
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Review Exemptions: n/a
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Review Markings:

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30 JUN 2005

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Review Withdrawn Fields: n/a
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To: LIMA
Type: TE
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